



# FOREIGN POLICY BULLETIN

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## INVASION COMPELS ALLIES TO FACE UNRESOLVED PROBLEMS

AS was to be anticipated, the tension of waiting for the invasion of Europe has exacerbated many of the political issues which are bound to come to a head once the Allies enter German-occupied countries. So long as Russia bore the brunt of fighting Germany's land armies—with increasing aid, of course, from Britain and the United States in the form of air warfare and sea-borne war materials—the Soviet government was in a strategic position to carry through its policy in Europe. Once British and American troops land on the continent, the political balance will be altered, and Russia's Western Allies will be able to develop such plans as they may have for the future in a concrete way. It is to that moment, when the relative position of the great powers among the belligerents will undergo a marked change, that the small countries are looking in an attempt to ascertain their own fate. In this breathless hour of waiting, the great powers themselves are re-examining their policies with an eye on the effect they may have in the post-war period.

**MOUNTING TENSION SHARPENS ISSUES.** The agreement concluded by Spain with Britain and the United States, announced on May 2, by which the Franco government undertook to close the Nazi consulate in Tangier, expel Axis diplomatic agents, and reduce drastically exports of wolfram to Germany represents a last-minute concession to the Allies—a concession compensated by the resumption of much-needed oil shipments to Spain from the Caribbean. There is no doubt that the position of Britain and the United States with respect to Spain has improved to a striking degree since our invasion of Africa in November 1942 and our victory over the Germans in Tunisia. Even so, Nazi pressure on Franco—or the General's attachment to the Nazis—proved so strong that the Allies had to apply economic pressure through suspension of oil shipments before Madrid yielded to their demands, and that

at a moment when impending invasion may in any case prevent deliveries to Germany. The main point in this long-drawn out controversy is that, since Britain and the United States, during the Spanish Civil War, made no effort to prevent the rise of Franco, they now have to deal with him whether they like it or not—until such time as an internal upheaval may oust him from power. Meanwhile, there is no indication that the Western Allies are giving any encouragement to anti-Franco elements who have taken refuge in the New World, notably in Mexico—and Franco's prolonged defiance of Britain and the United States has encouraged a similar attitude on the part of Argentina and of Franco sympathizers throughout Latin America.

**POLISH-RUSSIAN DEADLOCK.** The unresolved crisis in Polish-Russian relations has been further envenomed by the prospect that Russian forces may soon march beyond the area of Eastern Poland claimed by Moscow into Poland proper. The Soviet government remains adamant in its refusal to deal with the Polish government-in-exile as composed at present, and looks to the formation of a new régime by Poles who remained in their homeland under Nazi rule. Such a policy is understandably distasteful not only to Poles who are hostile to both Russia and the Soviet system, but also to those who want decisions about Poland's future adopted without interference by any one of the great powers. The dilemma of Polish Premier Mikolajczyk is that, if he acquiesces in Russia's seizure of Eastern Poland, he will face repudiation of his government by many Poles; if he rejects Russia's territorial claims, he must face the possibility that the Russians will set up a rival government on Polish soil. In the handling of this dilemma—perhaps the most acute facing the United Nations—neither side has displayed conspicuous tact. Moscow's attempt to win the sympathy of Americans of Polish origin by inviting Father

Orlemanski of Springfield, Massachusetts, to visit Russia, has only added fuel to an already sufficiently explosive situation. The one justification Moscow could claim for appealing over the head of the United States government to Polish-Americans who sympathize with Russia is that the Polish Embassy in Washington had previously injected itself into domestic politics by pressing the cause of the government-in-exile in the lobbies of Congress and elsewhere.

It is natural that European political leaders should appeal directly to American citizens of similar origin—as Benes and Paderewski did on behalf of their respective peoples during World War I. But it cannot be repeated too often or too strongly that American citizens of recent European origin must be particularly careful not to inject themselves into the conflicts of Europe in the role of special pleaders. The best way to destroy the unity of this country, built with the sweat and tears of immigrants from all over the globe, is to permit or encourage internal divisions on the lines of Europe's nationalistic quarrels. American citizens can, and should, assume their share of responsibility in seeking to adjust conflicts that lead to war—but we shall prove far more effective, and exert far greater influence, if we do this as citizens of the United States, and not as Polish-Americans, or Italian-Americans, or any other hyphenated group.

**WHAT KIND OF SECURITY?** Meanwhile, the approach of invasion has also emphasized differences between the United Nations concerning the future treatment of Germany. It is natural that Russia, which unlike the United States cannot escape, even if it wanted to, from the problems of Europe, should be more persistent and often more blunt than this country in formulating a concrete program designed to prevent the recurrence of German aggression. The destruction of the striking power of the German Army, and especially of its general staff—which according to reports seeping in from occupied Europe is already planning for World War III—is the immediate objective of the United Nations. But it is clear that this will not of itself be sufficient to elim-

inate the danger of German attack in the future. It will not be enough to weaken Germany. If the United Nations are to achieve a sense of security after the war, they must stay strong and united. The desire expressed on May 7 in the Soviet publication *War and the Working Class* for a world organization with force at its disposal has for some time been voiced in Britain and the United States—but neither of the three great powers, so far as is publicly known, has yet gone beyond the stage of discussing the subject. One of the reasons cited for our reluctance to proceed with the establishment of a world organization is that the intentions of the Soviet government had not been made sufficiently clear. If Moscow now intends to press for a system of collective security, then one obstacle—real or imaginary—to its creation will have been removed. But collective security, by definition, cannot be achieved if any one of the great powers insists on acting unilaterally on some issues, while demanding joint action on others. The best proof of the genuineness of Russia's desire for international collaboration would be if the Soviet government, whose right to participate in the determination of affairs in Italy has been recognized by Britain and the United States, would in turn recognize that the other United Nations have a similar interest in the settlement of the Polish problem.

Any system of collective security will, obviously, be difficult to establish, and even more difficult to operate. But the only visible alternative would be for each great power to assure its own security by its own means, irrespective of the interests of other countries. This is not only impracticable, as we have seen, but is bound to lead to conflicts between the great powers among the United Nations for the spoils of victory. Nor does, collective security, as some pessimists assume, mean that the United States alone is expected to protect far-flung areas of the world. On the contrary, most nations want not single-handed protection by any one great power (whether Britain, Russia or the United States) but joint efforts by all countries, large and small, to assure the security of all.

VERA MICHELES DEAN

## CURRENCY PLAN—A STEP TOWARD RECOVERY OF WORLD TRADE

The draft agreement for an international monetary fund, simultaneously announced from Washington, London and Moscow on April 21, sets forth at the technical level a statement of principles believed by experts to provide a basis for international monetary cooperation. Although no government is committed to the plan at this stage, a formal United Nations conference on currency problems is now assured. Most significant is the fact that the technical experts of some thirty allied and associated nations, including the USSR, Great Britain and the United States, joined in presenting the draft.

**REACTION TO STATEMENT.** Editorial comment in the nation's press has been generally favorable, although the financial press has been somewhat critical, suggesting that the proposed fund of \$8,000,000,000 is excessively large for the purposes intended and that restrictions on borrowing from the fund should be tightened. Immediate reaction to the announcement was more favorable in Washington government circles than in London. The announcement of Sir John Anderson, Chancellor of the Exchequer, in the House of Commons was met by pressing questions that brought a promise from the

Minister that an early debate on the fund would be held. Secretary Morgenthau, on the other hand, after appearing before both House and Senate Committees to explain the plan, indicated that there was sufficient Congressional approval to warrant calling a formal conference "as soon as possible." Secretary Hull, supporting this opinion the following day, said: "In my estimation, world stabilization of currencies and promotion of fruitful international investment, which are basic to an expansion of mutually beneficial trade, are of first order of importance for the post-war period."

**DRAFT OF PRINCIPLES.** The announcement of April 21 follows within a year the proposals originally offered for currency stabilization known as the Keynes and White plans. Basically the United States Treasury program emphasized the position of gold in the monetary scheme, and it is assumed that the USSR supported this plan in view of its large gold production. The British plan favored trade balances as a key to currency stabilization and emphasized the necessity of a clearing union. The resulting draft document has tempered first suggestions on both sides, taking advantage of the large area of agreement which already existed between the two proposals. Less comprehensive in scope than the original Keynes plan, the final draft is more flexible than the original White plan which appeared to many as a revival of the gold standard.

The international monetary fund would provide a permanent institution to promote the balanced growth of international trade and exchange stability, to assist in multilateral clearing facilities and to correct disequilibria in international balance of payments. Subject to close restrictions, member countries would be enabled to buy from the fund currencies of other nations for legitimate trade purposes. The contemplated \$8,000,000,000 would be raised by contributions from each country proportionate to its percentage of world trade, its gold stock and gold production. Under these terms the United States would contribute about \$2,750,000,000, Great Britain about

\$1,250,000,000, and Russia about \$1,000,000,000. The fund would be governed by a board and a nine-member executive committee including the five countries with the largest quotas. Voting power would be "closely related" to contributions to the fund and decisions would be made on a majority basis. Withdrawal from the fund could be effected by notice in writing.

**PRINCIPLES IN PRACTICE.** Fundamentally, the function of money in the international field is the same as in the domestic field. Within a given country where a stable currency may be assumed, it is relatively easy for accumulated reserves to flow between different areas enjoying varying degrees of prosperity. In the international field, however, the existence of separate currencies makes this more difficult, and nations often attempt to correct a disequilibrium in balance of payments by altering the rates of exchange. In the inter-war years, when the world saw the development of planned economies, competitive devaluations, and subsidized trading, nations readily resorted to this practice of altering exchange rates, thus creating monetary instability.

The present fund is proposed in order to promote exchange stability and to avoid competitive exchange depreciation, and it is hoped that it will tend to mitigate the other practices so disruptive to international trade in general. Criticism of the proposal does not attack this fundamental purpose, although there is some fear that many nations will not be prepared to follow the sound international trade and financial policies necessary to make the scheme effective. The plan is limited to the question of monetary stability; agreement must now be reached on the balanced growth of international trade and on the reduction of trade barriers. But official quarters have indicated that discussions are under way with regard to these questions, as well as the subject of an international investment authority. It is to be hoped that the present agreement, which demonstrates the possibility of dealing with delicate questions of the widest import while the war is still in progress, may be extended to these other matters.

GRANT S. MCCLELLAN

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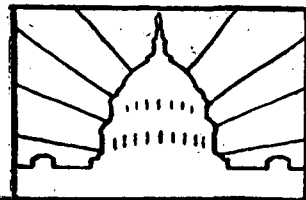
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# Washington News Letter



MAY 8.—The Latin American Republics, with the exception of Argentina, have been of inestimable value to the United States during the war. They have supplied this country with strategic materials in large quantities. They have made their territories available to us as military bases. They have ousted spies and expelled Axis diplomats. These developments are welcome and useful fruits of the Good Neighbor policy, which has emphasized the principle of continental solidarity. But now from Latin America come indications that the policy will need some bolstering after the war if the solidarity principle is to survive into the years of peace. The management of this country's hemispheric policy has gradually been losing force, and prospects of its reinvigoration have been further dimmed by reports of the impending resignation of Laurence Duggan as Director of the Office of American Republic Affairs in the State Department.

**TRENDS IN LATIN AMERICA.** The prestige of the United States has suffered in the southern Republics as a result of failure to implement our non-recognition of the revolutionary, nationalistic governments of Edelmiro Farrell in Argentina, President since March 9, 1944, and of Gualberto Villaroel in Bolivia, President since December 19, 1943. Both régimes have demonstrated their ability to survive without our approval, and the prestige of Argentina has been correspondingly enhanced. Paraguay, Bolivia and Chile have recognized the Farrell government, and President Higinio Morenigo of Paraguay on March 20 dismissed from his Cabinet, at the demand of nationalist army officers friendly to Argentine militarism, the three foremost friends of the United States.

Many countries north of the Argentine-bloc states are suffering from political ferment as they prepare for the coming era of peace. In Mexico, Ecuador and Colombia there are strong political groups unfriendly to the United States. Some Mexicans are inclined to blame our wartime buying policies for the inflation which bedevils their economic life. Like Mexico, Ecuador suffers from inflation and blames us for it. The Presidential elections in June will disclose more exactly the trend of opinion there with regard to the United States. The strange reluctance of President Lopez of Colombia to end his leave of absence and formally resume his position is weakening his party, the Liberals, and improving the prospect that the Conservatives, who oppose national solidarity and collaboration with the United States,

may capture the Presidency in the elections of 1946.

To the advantage of the United States it can be said that the two régimes which are most unfriendly to us are disturbed by internal rivalries. Within the Argentine government Col. Juan Perón, Minister of War, and General Luis Cesar Perlinger, Minister of the Interior, vie for primacy. The government as a whole, however, has been taking an increasingly bold anti-democratic line. In Bolivia two old colleagues, President Villaroel and Paz Estenssoro, who led the December 19 revolution, are both potential candidates for the Presidency; Senators and deputies elected on July 2 are to choose the President during a constitutional convention which is to meet on August 1.

**PROBLEMS OF U.S. POLICY.** Day-to-day decisions about our policy in Latin America are based not on the views of State Department experts familiar with the subject but on considerations of military expediency and, in the case of Argentina, on the economic problems of our allies. This fact has prevented the development of a strong, consistent policy. Our future relations with Latin America have been subordinated to our present needs on the war fronts. In official discussions both Secretary of State Cordell Hull and Mr. Duggan have advocated economic sanctions to implement our policy toward Argentina and Bolivia, but others in Washington held that such a move might embark us on a major political adventure at a time when energies should be focused on the war. Britain's need for Argentine beef, moreover, has prevented development of a "tough" policy toward the Farrell government, and the recent relaxation of meat rationing here will not alter the situation.

Since the departure of Sumner Welles from the State Department last summer, Latin American affairs have not been in strong hands. Duggan, a Welles appointee, whose resignation is said to have no relation to his disappointments in matters of policy, has often wisely proposed, but others have disposed. As a result, Brazil alone among the strong New World powers remains close to us. Yet it is probably not too late to strengthen the Good Neighbor policy in such a way as to prevent the disintegration of our friendships in the hemisphere. An opportunity to launch an amplified and reinforced policy may come in the meetings of the Inter-American Development Corporation [which opened on May 9 in New York City], devoted to economic collaboration among the American Republics.

BLAIR BOLLES

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